

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 90-746-E - ORDER NO. 91-566 ✓
JULY 16, 1991

IN RE:	Application of Carolina Power &)	
	Light Company for a Certificate)	
	of Environmental Compatibility and)	
	Public Convenience and Necessity)	ORDER
	for Construction of Three Additional)	GRANTING
	Combustion Turbine Generating Units)	CERTIFICATE
	and Associated Transmission Facilities))	
	at the Darlington County Electric)	
	Plant.)	

This matter is before the Public Service Commission of South Carolina (the Commission) by way of the Application (Application) of Carolina Power & Light Company (the Company or CP&L) filed on November 30, 1990, seeking a Certificate of Environmental Compatibility and Public Convenience and Necessity under S.C. Code Ann. §58-33-10 (1976), et seq. CP&L seeks a Certificate of Environmental Compatibility and Public Convenience and Necessity to construct three additional combustion turbine generating units and associated transmission facilities at the Company's Darlington County Electric Plant near Hartsville, South Carolina.

Upon receipt of the Application, the Commission's Executive Director instructed the Company to cause to be published a prepared Notice of Filing and Hearing in newspapers of general circulation in the affected area in South Carolina. The Notice described the nature of the relief sought and provided general information on the

manner in which interested parties might participate in the proceeding. The Company subsequently filed certain affidavits of publication indicating compliance with the instructions of the Commission's Executive Director. Additionally, the Applicant served a copy of the Application on all parties as required by S.C. Code Ann., §58-33-120 and 58-33-140 (1976). A Petition to Intervene was filed by the Consumer Advocate for the State of South Carolina (the Consumer Advocate) on January 9, 1991.

A public hearing was held on February 7, 1991, in the Office of the Commission. William F. Austin and Adrian N. Wilson represented the Company; Raymon E. Lark, Jr. represented the Consumer Advocate; and Sarena D. Burch and Gayle B. Nichols, Staff Counsel, appeared on behalf of the Commission Staff (Staff). At the hearing, Bobby L. Montague, Vice President - System Planning and Operations, and George J. Oliver, Manager - Environmental Services, testified on behalf of the Company. Neither the Consumer Advocate nor the Staff presented witnesses.

Upon full consideration of the Company's Application, the evidence and testimony presented at the hearing, and the applicable law, the Commission makes the following findings of fact and conclusions of law.

FINDINGS OF FACT

1. CP&L seeks to install three additional combustion turbine generating units and associated transmission facilities (the Combustion Turbine Addition) adjacent to eleven existing combustion turbine units at its existing Darlington County Electric Plant near

Hartsville, South Carolina. The Combustion Turbine Addition consists of three new combustion turbines, each with a rating of approximately 80 MW at standard conditions.¹ The Combustion Turbine Addition will require the construction of 1.7 miles of 230 kV transmission line in order to strengthen the existing ties between the Darlington County Electric Plant switchyard and the Company's H.B. Robinson Steam Electric Plant switchyard. The current estimated cost, in nominal dollars, of the generation facilities is estimated to be \$85.6 million; the cost, in nominal dollars, of the transmission facilities is estimated to be \$13.6 million. (TR. p. 22, line 27 - p. 23, line 30).

2. The proposed Combustion Turbine Addition will have dual fuel capability to utilize No. 2 fuel oil and natural gas. CP&L plans to use natural gas to the extent available. (TR. p. 24, lines 1-6).

3. According to Company witness Montague, based on CP&L's 1990 load forecast, in 1994 the Company's peak load is estimated to be 9,202 MW. Montague testified that without the Combustion Turbine Addition the Company's reserves would not be adequate to meet estimated customer loads and system capacity margins would fall below CP&L's minimum reliability criteria of 16.7% (corresponding to a 20% reserve margin). Montague testified that given CP&L's 1990 load forecast, additional capacity of 101 MW is

1. Actual generation capability will depend on ambient temperature, the type of fuel used, and the characteristics of the specific combustion turbines selected. (TR. p, 23, lines 10-12).

needed in 1994 to maintain a minimum capacity margin of 16.7%. Similarly, 339 MW of additional capacity is needed by 1995 to maintain this minimum capacity margin. (TR. p. 24, line 18 - p. 25, line 5).

4. Montague testified that for the years 1986-1990, CP&L's annual growth rate was 2.8%. He explained that although the 1990 load forecast predicts that the annual growth rate will be less, 2.2% over the next ten years, in order to ensure system reliability the Combustion Turbine Addition should be placed in service in 1994. Montague testified that if the Combustion Turbine Addition is not placed into service until 1995 and load growth is greater than the Company anticipated, system reliability would be impaired. Montague also testified that if load growth was less than anticipated, CP&L would still likely need the capacity in 1995. (TR. p. 25, lines 8-16).

5. Montague testified that the studies supporting CP&L's 1989 Integrated Resource Plan (IRP), filed with the Commission in Docket No. 87-223-E, serve as the primary basis for its present claim that the Combustion Turbine Addition is the least cost option for 1994.² According to the Application, the IRP demonstrates that because of uncertainties in oil prices and load growth combustion

2. The Company's Application indicates that in the process of developing its Least Cost Integrated Resource Plan, sixteen conventional generation technologies and nineteen alternative technologies were considered. The Application indicates that CP&L screened these technologies and eliminated those that were not available by the year 2000, or were not economically competitive with other technologies in 1995. Hearing Exhibit 1; Exhibit V, p. 60, 68.

turbines are the most beneficial resource addition for the mid-1990's. Hearing Exhibit 1, Exhibit 5, p. 61. Montague testified that the difference between CP&L's December 1990 load forecast and the December 1988 load forecast which was used in developing the Company's IRP was not significant enough to make a difference in the optimization analysis to determine whether the Combustion Turbine Addition was still the least cost option for 1994.³ (TR. p. 34, line 21 - p. 36, line 6; p. 37, lines 13-19). Montague testified that despite an updated load forecast, the Combustion Turbine Addition continues to be consistent with CP&L's IRP filing. (TR. p. 38, lines 12-15).

6. Witness Montague admitted that the Company's 1990 forecast projected a higher residential load than the 1988 forecast which supports the Company's IRP. (TR. p. 51, line 19 - p. 52, line 3). He further admitted that higher load growth resulted in higher marginal energy costs and might make certain demand-side programs not currently implemented cost effective. He stressed, however, that changes in load forecast, energy forecast, demand-side projections, and supply-side additions have not been significant enough to cause CP&L to reconsider its IRP. (TR. p. 51, line 19 - p. 53, line 22). Montague explained that the Company had not conducted a marginal cost analysis but he knew from production

3. Witness Montague stated that CP&L was conducting an optimization analysis based on the 1990 forecast but that he was not certain if the analysis had been completed. (TR. p. 37, lines 20-23). The maximum difference between the 1988 and 1990 load growth forecasts is 2.6%.

costs that the change was minimal. (TR. p. 53, line 11 - p. 54, line 4).

7. Witness Montague testified that since filing its IRP in 1989, CP&L has considered and incorporated additional demand-side resources to meet the 1994 load forecast. Montague explained that CP&L has implemented a voltage reduction program which reduces peak load. (TR. p. 54, line 7 - p. 55, line 20). Montague stated that since CP&L filed its IRP, high efficiency heat pump and water heater programs have been added to the Company's Homeowners' Energy Load Program, and that Safe Shine has been implemented in the commercial sector. (TR. p. 60, line 20 - p. 61, line 2). Montague testified, however, that he did not know if CP&L had implemented residential fuel switching, commercial fuel switching, variable speed motors, commercial efficient HVAC, and commercial refrigeration since filing its IRP with the Commission. (TR. p. 61, line 10 - p. 62, line 10).

8. Montague testified that the rate impact measure is CP&L's preferred perspective for evaluating the cost effectiveness of demand-side programs. He also stated that the rate impact measure "assures that the utility purchases the least cost quantity of D.S.M. [demand-side management] relative to supply-side options." (TR. p. 64, lines 11-22). Montague explained that it is necessary to consider and balance, on a cost basis, the advantages and disadvantages associated with a demand-side program in order to determine if the program is efficient. Montague stressed that if a demand-side program is not properly rated, one customer will

subsidize another for the program. (TR. p. 64, line 23 - p. 66, line 12).

9. Witness Montague testified that in determining that the Combustion Turbine Addition was the proper option, the Company considered the diversity of demand-side and supply-side options. (TR. p. 36, lines 14-20). Montague explained that in its IRP, CP&L plans to include a balanced mix of cost-effective demand-side programs. Montague testified that as of December 1990 CP&L had achieved 1248 MW of peak load reductions through demand-side programs. He testified that if CP&L meets its 1995 goal, the Company will reduce its 1100 MW growth through demand-side programs by almost half, or 500 MW. (TR., p. 58, lines 4-17). Montague stated that in its most recent investigation, the Investor Responsibility Research Center (IRRC) identified CP&L as one of the five utilities with the largest projected peak load reductions through demand-side management programs over the next decade. (TR. p. 28, line 22 - p. 29, line 15). Montague also testified that the IRRC identified CP&L among the ten leading utilities in projected cogeneration power purchases through 1995. (TR. p. 30, lines 20-22).⁴

4. CP&L's Application, Hearing Exhibit 1, Exhibit 5, details the Company's demand-side management programs. In its demand-side management program, CP&L indicates it focuses on both conserving energy usage and load management. Specifically, CP&L states its demand-side program has evolved from reduction in energy usage, increased insulation, improved thermal efficiency, and load shifting programs to peak clipping programs, audit and thermal storage programs, and an intensive Conservation and Load Management program which involves residential, commercial, and industrial classes of customers. CP&L states that the goal of its

10. Witness Montague testified that CP&L ultimately selected combustion turbines to produce the necessary peaking capacity because CP&L had considerable experience with this form of technology. He further testified that combustion turbines have the lowest cost for peaking duty, shorter lead times and high reliability, and that these characteristics support the Company's strategy to minimize capital investment, minimize risk, remain flexible, and utilize existing coal capacity while remaining reliable. (TR. p. 25, lines 17-26). Montague also testified that, until the combustion turbines reach a 10% capacity factor, the combustion turbines are the most economical of the peaking alternatives. (TR. p. 48, lines 11-17).

11. CP&L also evaluated a variety of proposals from non-utility generators. The Company stated it considered purchasing cogeneration and energy from independent power producers. Hearing Exhibit 1, Exhibit V. Witness Montague testified that CP&L rejected cogeneration proposals because, while cogeneration supports base load energy requirements, it is not a reliable source of peaking capacity. (TR. p. 33, lines 5-17). Witness Montague testified that CP&L rejected non-utility generation proposals because they offered expensive base load capacity and CP&L needed peaking capacity. (TR. p. 49, lines 6-24).

(Footnote 4 continued from previous page)
Conservation and Load Management program is to reduce peak load by 1750 MW by 1995. CP&L states that through June 1990 its program has achieved 1150 MW of peak load reduction toward the 1995 goal.

12. Company witness Oliver testified about the site selection process and the results of CP&L's environmental impact studies on the proposed Combustion Turbine Addition. The record indicates that CP&L obtained the assistance of EDAW, a national environmental planning firm, to assist in the site selection process. Hearing Exhibit No. 1, Exhibit 2; Siting Study Documentation Report.

13. According to the Company's Application, CP&L served the following State agencies with a copy of its Application: S.C. Department of Health and Environmental Control, S. C. Wildlife and Marine Resources Department, S.C. Department of Parks, Recreation and Tourism, S. C. Water Resources Commission, S. C. Department of Archives and History, S. C. State Development Board, S. C. Land Resources Conservation Commission, S. C. Commission of Forestry, S. C. Aeronautics Commission, and S. C. Department of Highways and Public Transportation. Additionally, the Company served its Application on the City of Darlington, the City of Hartsville, the City of McBee, the City of Society Hill, the City of Lamar, District Director - Florence Office, the Darlington City Administrator, the Darlington County Administrator, the Darlington County Economic Development Director, the Darlington County Council Chairman, the Darlington County Emergency Preparedness Director, Chairman - Forward Darlington County Board, the Hartsville City Administrator, the Hartsville Rotary Club and the Director - Community Relations for SONOCO, the Pee Dee Regional Council of Governments, and the Hartsville Development Board.

14. Oliver explained that the Combustion Turbine Addition site will be located adjacent to CP&L's existing Darlington County Electric Plant, on the west side of Robinson Impoundment, in Darlington County. He testified that the existing plant and proposed addition are in the sandhill province of South Carolina. He testified that the major vegetation of this province is a forest dominated by longleaf pine and turkey oak. Oliver stated that there are no wetlands or aquatic habitats that would be affected by the project and that the only endangered wildlife species known to have historically inhabited the area around the existing plant is the red-cockaded woodpecker. Oliver testified that while some suitable habitat for the red-cockaded woodpecker is located in the project area, no active or inactive red-cockaded woodpecker cavity trees have been found on property which will be used for the project.

15. Oliver testified that CP&L gathered information about the environmental aspects of the Combustion Turbine Addition. He explained that field studies of biological resources and noise levels at and around the site were conducted during the summer of 1990 by Company personnel, that information on existing air quality was developed from data supplied by the South Carolina Department of Health and Environmental Control (DHEC), and that predicted air quality was based on models applied by a consultant. Detailed geological and seismic conditions and population and demographic patterns were derived from data developed for the construction of the H.B. Robinson Plant, located approximately one mile south of

the proposed project. Oliver testified that although there are no aquatic habitats associated with this project, the Company assimilated a large base of data on the water quality, water chemistry, and aquatic organisms in the nearby Robinson Impoundment. Other studies were conducted relating to the visual impact of the Combustion Turbine Addition, waste disposal and fuel handling, and the potential impact on wildlife and on any historical or archaeological resources.

16. Oliver testified that the site for the Combustion Turbine Addition is located in a rural area, with less than 170 people living within a one mile radius. Based on available monitoring data, Oliver stated the existing air quality in the vicinity of the proposed project is well within federal air quality standards.

17. Oliver explained that water required for the operation of the Combustion Turbine Addition will be drawn from wells located on the site. He testified that existing fire protection pumps will serve as a backup system. Oliver testified that stormwater runoff will be discharged either into the discharge canal of Robinson Impoundment or into the existing ash pond of Unit 1 of the H. B. Robinson Plant, and strictly according to permit limits.

18. Oliver explained that CP&L planned to control nitrogen oxide emissions by use of water injection to lower temperatures in the combustion zone. He testified that sulfur dioxide emissions will be minimized by burning low-sulfur oil or natural gas. He testified the air emission limits will be specified by the air permit issued by DHEC and would be similar to any other new

combustion turbine proposing to operate in South Carolina.

19. Additionally, Oliver testified that, based on air quality analysis, operation of the Combustion Turbine Addition will have minimal impact on existing air quality. Hearing Exhibit No. 1; Exhibit 3. He explained that concentrations of contaminants will be below ambient air quality standard levels and lower than the Prevention of Significant Deterioration (PSD) increments.

20. Oliver testified that at the time of the hearing CP&L had not filed its application for a New Source Review Under PSD Regulations with DHEC.⁵ Oliver testified, however, that CP&L has performed detailed evaluations of air quality impacts which will support the air quality permit to be issued by DHEC. Oliver testified that CP&L is optimistic that DHEC will approve the Company's air permit application.

21. Oliver testified that the environmental impacts associated with the construction of the transmission lines would be minimal. He testified the transmission construction will require clearing approximately eight acres adjacent to the existing transmission facilities. He explained that the right-of-way will be cleared using heavy equipment, but the original contours would not be appreciably altered and stumps would be left in place. Oliver testified that proper measures will be employed to control any erosion or sedimentation. (TR. p. 81, line 27 - p. 82, line 3).

5. The Commission notes that this application has since been filed with DHEC and has been labeled Hearing Exhibit No. 5.

22. Oliver testified that all wastes would be disposed of under appropriate regulations and permits, thereby resulting in minimal environmental impact. He testified fuel delivery and loading would be done at existing facilities and would require minimal alteration. Oliver explained that fuel oil would be stored in existing storage tanks which are operated under the Spill Prevention Control and Countermeasure Plan which is in place at the plant. Oliver stated this plan reduces the potential environmental impact of an oil spill. (TR. p. 82, lines 4-13).

23. Oliver testified that the site area is located in a sparsely populated area. He testified the proposed turbine facilities are situated entirely on CP&L property and the proposed transmission lines will be located primarily on CP&L property with the possible exception of a small amount of right-of-way. Oliver testified that studies conducted around the Darlington County Electric Plant indicate that the operation of the Combustion Turbine Addition will result in no measurable increase in noise levels at the location of the nearest occupied dwelling. Other studies indicate that because of its remote location, the Combustion Turbine Addition will have minimal visual impact. Oliver testified there are no known historical or archaeological sites in the areas which will be affected by this project. (TR. p. 82, lines 14-25).

24. Finally, Oliver testified that an additional 200 personnel, many of whom reside in the local area, will be employed during the construction phase of the Combustion Turbine Addition.

He explained that this employment would have a limited, but positive effect on the local economy. (TR. p. 82, lines 26-29).

25. Oliver testified that there was reasonable assurance that the Combustion Turbine Addition would conform to applicable federal, state, and local laws and regulations. He testified that Hearing Exhibit No. 1, Exhibit IV, listed various permits which may be required for construction and operation of the Combustion Turbine Addition. (TR. p. 82, line 30 - p. 83, line 7).

26. On cross-examination, Oliver admitted that CP&L did not consider the environmental effects of other resource options and that the selection of the Combustion Turbine Addition was not influenced by the relative environmental effects of the options considered. (TR. p. 89, lines 7-14; p. 92, lines 2-7).

27. On January 24, 1991, the Commission received a letter from the South Carolina Wildlife and Marine Resources Department. In this letter, the South Carolina Wildlife and Marine Resources Department states it has reviewed and evaluated the impact of CP&L's proposed Combustion Turbine Addition on fisheries habitat, water quality, recreation, and other factors related to the conservation of wildlife and fisheries resources and determined that the proposed project would not substantially alter the quality of the environment.

28. At the conclusion of the hearing, the Consumer Advocate moved that the Commission deny the Company's Application for failure of the Company "to consider appropriate demand-side measure programs using appropriate tests, other than the rate impact test"

and for failure "to look at alternatives on the environmental impacts as required under Title 58." (TR. p. 99, line 19 - p. 100, line 7).

29. Alternatively, the Consumer Advocate argued that if the Commission granted the Application, it should wait until CP&L applied for an air quality permit. Finally, the Consumer Advocate argued that if the Commission granted the Application, it should specify that by its approval it is not approving the resource cost test to be applied in Integrated Resource Planning and that it is not approving an in-service date for the Combustion Turbine Addition. (TR. p. 100, line 6 - p. 101, line 10).

30. On April 23, 1991, the Consumer Advocate filed a motion entitled, "Further Alternate Motion to Hold in Abeyance and Petition for Rule to Show Cause." In this motion the Consumer Advocate stated that approximately six weeks after the hearing on this matter, CP&L filed its Form 10K for the fiscal year ending December 31, 1990, with the Securities and Exchange Commission (SEC). The Consumer Advocate claimed that information in the Form 10K questioned whether the transaction between CP&L and Duke Power Company (Duke) for purchased power would occur.⁶ The Consumer Advocate contended that because it was uncertain whether the

6. In March 1987, CP&L and Duke entered into a contract for purchased power. Under the terms of this agreement, CP&L was to purchase 400 MW of firm capacity from Duke from January 1, 1991, through December 31, 1997. The Consumer Advocate states that this contract was filed with the Federal Energy Regulatory Commission (FERC) in 1988 and that he has intervened as a party of record in that proceeding.

purchased power transaction would occur, the Company's Application should be held in abeyance and the Commission should issue a rule to show cause why the Application should not be denied.

31. In its response to the Consumer Advocate's Further Alternate Motion, CP&L stated that its current resource plan includes its purchase of 400 MW from Duke Power Company. CP&L argued that removal of the purchased power would result in a potentially greater need for the Combustion Turbine Addition because there would be an even lower level of capacity reserves.

CONCLUSIONS OF LAW

1. The Commission finds it is first necessary to address the Consumer Advocate's Further Alternate Motion to Hold in Abeyance and Petition for Rule to Show Cause due to information disclosed by CP&L in its Form 10K filing. The Commission interprets the Consumer Advocate's motion as one for a new trial on after-discovered evidence and concludes that the motion should be denied. Although the Consumer Advocate did not discover the uncertainty of CP&L's contract with Duke until CP&L filed its Form 10K after the hearing, the Commission accepts CP&L's counsel's statement that CP&L included its 400 MW of purchased power from Duke in its resource plan. Accordingly, the Commission finds that the evidence would not change the result if a new hearing was granted. Bettis v. Busbee, 283 S.C. 502, 323 S.E.2d 536 (Ct. App. 1984) (In considering a motion for a new trial based on after-discovered evidence, the movant is required to demonstrate (1) the evidence will probably change the result if a new trial is granted; (2) the

evidence has been discovered since the trial; (3) the evidence could not have been discovered before the trial through due diligence; (4) the evidence is material; and (5) the evidence is not merely cumulative or impeaching.)

2. In determining whether to approve or disapprove an application for a Certificate of Environmental Compatibility and Public Convenience and Necessity, this Commission must follow the directives of S.C. Code Ann. §58-33-160 (1976). Section 58-33-160 specifies as follows:

The Commission may not grant a certificate for the construction, operation and maintenance of a major utility facility, either as proposed or as modified by the Commission, unless it shall find and determine:

- (a) The basis of the need for the facility.
- (b) The nature of the probable environmental impact.
- (c) That the impact of the facility upon the environment is justified, considering the state of available technology and the nature and economics of the various alternatives and other pertinent considerations.
- (d) That the facilities will serve the interests of system economy and reliability.
- (e) That there is reasonable assurance that the proposed facility will conform to applicable State and local laws and regulations issued thereunder, including any allowable variance provisions therein, except that the Commission may refuse to apply any local law or local regulation if it finds that, as applied to the proposed facility, such law or regulation is unreasonably restrictive in view of the existing technology, or of factors of cost or economics or of the needs of consumers whether

located inside or outside of the directly affected government subdivisions.

- (f) That public convenience and necessity require the construction of the facility.

3. After a thorough consideration of the entire record, the Commission finds that CP&L has a need for an additional source of peaking power. CP&L witness Montague testified that, based on its 1990 forecast, the Company anticipates its peak load will be 9,202 MW in 1994. In order for CP&L to maintain its 20% minimum reserve margin, the Company will need an additional 101 MW of peak load by 1994 and an additional 339 MW of peak load by 1995. The Commission recognizes that it is crucial for an electric utility to maintain its reserve margin in order to provide necessary and reliable service to its customers. The record is clear that without an additional source of peaking power, CP&L's minimum reserve margin will fall below its standard 20%.

4. The Commission further finds that despite CP&L's efforts at reducing its need for peaking capability through demand-side programs, the Company is in need of a supply-side program which produces optimal peaking capacity. Montague testified that as of December 1990, CP&L had achieved 1248 MW of peak load reductions through demand-side programs and that its demand-side programs would reduce its 1995 load growth by almost half, or 500 MW. The Commission recognizes that the Investor Responsibility Research Center identified CP&L as one of the five utilities with the largest projected peak load reductions through demand-side programs

over the next decade. Without reiterating each demand-side management program utilized by CP&L, the Commission recognizes each of the programs included in the Company's IRP and which have been added since the filing of its IRP.

5. The Commission notes that the Consumer Advocate claims CP&L does not and would not need the Combustion Turbine Addition if the Company's demand-side programs were adequate. He further contends that the Company's Application should be denied because it only used the rate impact test in considering the economics of a demand-side program. While this Order is in no way binding on its consideration of Integrated Resource Planning in Docket No. 87-223-E, the Commission finds that, for the limited purposes of this Application, CP&L has taken sufficient and adequate steps to reduce its need for peaking power through demand-side planning.

6. The Commission further finds, and the record substantially supports, CP&L's selection of the Combustion Turbine Addition to produce the needed peaking power. CP&L's IRP demonstrates that combustion turbines are a beneficial resource option due to uncertainties in oil prices and load growth. The Combustion Turbine Addition's dual capability of using No. 2 fuel oil and natural gas provides the Company with economic flexibility. Moreover, it is uncontradicted that combustion turbines have the lowest capital cost for peaking duty, shorter lead times, and high reliability. Additionally, up to a 10% capacity factor, combustion turbines are the most economical of the peaking alternatives. Further, the Commission notes that while cogeneration and purchased

power are recommended supply-side options, these methods are not a reliable source for producing CP&L's needed peaking capability. Finally, the Commission notes that CP&L has considerable experience with this form of technology.

7. The Commission further finds that the probable environmental impact of the Combustion Turbine Addition is minimal. The record substantially supports the Commission's conclusion. The Commission recognizes that CP&L served twenty-six interested parties with a copy of its Application and the Commission received only one responsive letter. This letter from the South Carolina Wildlife and Marine Resources Department states the Combustion Turbine Addition will not substantially alter the quality of the environment and that it has no objection to the Combustion Turbine Addition.

8. Additionally, CP&L witness Oliver testified that the Company's studies indicated that the Combustion Turbine Addition would have minimal visual impact and would have no measurable increase in noise levels at the residence nearest the site. Moreover, Oliver testified there were no known historical or archaeological sites in the area affected by the Combustion Turbine Addition. He explained that the impact of fuel delivery, loading, and storage would be minimal since these events will take place at existing facilities and under existing safety plans. While the construction of the transmission lines will require the clearing of approximately eight acres of land, the Company asserted that the original contours would not be appreciably altered and tree stumps

would be left in place. Oliver testified that sulfur dioxide emissions would be minimized by burning low-sulfur oil or natural gas and that air emissions would be within the guidelines specified by DHEC. He further testified that the Combustion Turbine Addition would have little impact on existing air quality and that concentrations of contaminants would be below ambient air quality standard levels and lower than the PSD increments.

9. The Commission concludes that the impact of the Combustion Turbine Addition on the environment is justified under the state of available technology, the nature and economics of the various alternatives, and other pertinent considerations. Given the minimal environmental impact of the Combustion Turbine Addition, the Commission has determined that the project is clearly justified. As previously stated, the Combustion Turbine Addition is a beneficial resource option, it has the lowest capital cost for peaking duty, shorter lead time, high reliability, and is the most economical of the peaking alternatives.

10. The Consumer Advocate contends that the Company's Application should be denied due to its admitted failure to consider other resources and their relative impact on the environment. The Commission disagrees. Because the studies on the environmental impact of the Combustion Turbine Addition indicate that the project will have minimal environmental impact, the Commission finds that CP&L was not required to compare the environmental impact of other potential resource options.

11. The Commission concludes, and the record substantially supports, that the Combustion Turbine Addition will serve the interests of system economy and reliability. As previously mentioned, combustion turbines are the most economical of peaking alternatives. Further, the Commission previously found that CP&L is in need of a peaking source in order to ensure its system reliability. The Commission recognizes the Combustion Turbine Addition will support CP&L's system reliability.

12. The Commission further finds that it is reasonably assured that the Combustion Turbine Addition will conform to all applicable State and local laws and regulations. The Commission notes that CP&L, through witness Oliver, stated it would comply with all Federal, State and local laws and regulations.

13. Finally, the Commission concludes that public convenience and necessity require the construction of the Combustion Turbine Addition.

THEREFORE, the Commission grants CP&L's Application for a Certificate of Environmental Compatibility and Public Convenience and Necessity upon the following conditions:

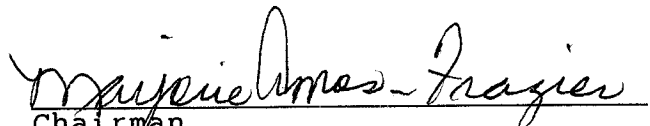
1. In constructing and maintaining the proposed Combustion Turbine Addition, CP&L shall comply with all applicable statutes, rules, regulations, and standards promulgated by all applicable state agencies. Any conditions imposed by applicable state agencies on the Combustion Turbine Addition are hereby made a part of this Order.

2. The Commission specifies that by granting the Company's Application, the Commission is not approving the construction, operation, maintenance, or in-service date of the Combustion Turbine Addition for any ratemaking purposes.

3. Finally, the Commission reiterates that any determination in regard to the propriety of CP&L's IRP or demand-side programs is strictly limited to the Company's Application in this matter and shall not be binding on this Commission's consideration in its IRP docket.

IT IS SO ORDERED.

BY ORDER OF THE COMMISSION:


Chairman

ATTEST:


Executive Director

(SEAL)